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Chapter 9 Counsel for Debtor Tulare Local Healthcare District

IN THE UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

FRESNO DIVISION

In re

CASE NO. 17-13797

TULARE LOCAL HEALTHCARE  
 DISTRICT, dba TULARE REGIONAL  
 MEDICAL CENTER,

Chapter 9

DC No.: WJH-2

Debtor.

Tax ID #: 94-6002897  
 Address: 869 N. Cherry Street  
 Tulare, CA 93274

**DECLARATION OF DANIEL R. HECKATHORNE IN SUPPORT OF DEBTOR'S  
 OBJECTION TO PROOF OF CLAIM NUMBER 186 IN THE AMOUNT OF \$2,370,060  
 FILED BY THE DEPARTMENT OF HEALTH CARE SERVICES  
 ON APRIL 3, 2018**

**DECLARATION OF DANIEL R. HECKATHORNE**

1. My name is Daniel R. Heckathorne. I am the interim Chief Financial Officer of the Tulare Local Healthcare District (the "District"). The Board of Directors ("Board") of the District appointed me to the position of Interim Chief Financial Officer at the meeting of the Board of Directors conducted on November 7, 2017, which was documented in Resolution No. 855 signed by the Secretary of the Board on November 10, 2017. I am authorized to make this declaration on behalf of the District. If called upon as a witness, I could and would competently testify to the facts set forth herein.

2. As the Interim Chief Financial Officer of the District, my duties include overseeing accounting functions, budgets, financial risk management and financial statements, as well as reporting on financial performance. I also oversee areas related to patient accounting and revenue cycle management, cash management processes including billing, collections, accounts receivable, accounts payable, and financial reporting and month-end close processes, which includes payment and reconciliation of Medicare and Medicaid (Medi-Cal) reimbursements. As part of those duties, I am familiar with the District's business records related to my job duties. This declaration is based on matters of my own personal knowledge or knowledge I have gained from a review of the District's business records, which I believe have been maintained in the ordinary course of the District's business and which were made at or near the time of the acts or events recorded therein by, or from information transmitted by, a person with knowledge of the acts or events who had personal knowledge of the event and had or has a business duty to record such event accurately.

3. I have read and reviewed Proof of Claim 186 filed by the Department of Health Care Services ("DHCS") in the amount of \$2,370,060 ("Claim"), a true and correct copy of which is attached as Exhibit "A" to my declaration. Based on my review of the Claim, it is my understanding that DHCS asserts that the Claim is for an overpayment of supplemental reimbursement funds paid to the District under the Disproportionate Share Hospital ("DSH") program for the 2013/14 payment year.

1 Based on my experience, it is my understanding that the DSH program is a program  
2 available to eligible hospitals that provide services to a large amount of uninsured  
3 individuals and Medi-Cal beneficiaries, and is administered by DHCS. It is also my  
4 understanding that the Tulare Regional Medical Center was eligible to receive DSH  
5 funds.

6 4. After I became the Interim Chief Financial Officer, I directed individuals  
7 working under my supervision to compile the data requested by the DHCS for the DSH  
8 audit for the 2013/14 payment year, and to submit such data to Myers and Stauffer LC,  
9 the auditors working for the DHCS ("DSH Auditors"). Marcus Armstrong, who works  
10 under my supervision, compiled the data and on October 29, 2018, requested that the  
11 DSH Auditors provide instructions as to how that data should be transmitted to the  
12 DSH Auditors. That same day, Mike Davis, a Senior Manager with the DSH Auditors,  
13 confirmed that the District had provided the DSH Auditors with the required information  
14 regarding Medicare and Medical payments for the 2013/14 payment year, and that it  
15 would not need additional data unless the Centers for Medicare and Medicaid ("CMS")  
16 prevailed in litigation with certain hospitals. A true and correct copy of an e-mail  
17 exchange reflecting these communications is attached to my declaration as Exhibit "B."  
18 As far as I am aware, the DSH Auditors have not requested any additional data be  
19 provided.

20 5. On October 15, 2018, the DHCS sent a letter to hospital administrators  
21 which stated that the DSH audit for the 2013/14 payment year were calculated based  
22 on a methodology that has been determined to be invalid and unenforceable, and that  
23 DHCS had suspended its effort to recoup DSH funds on that basis. A true and correct  
24 copy of the October 15, 2018 letter is attached as Exhibit "C" to my declaration. For  
25 those reasons, I believe that the District does not owe DHCS for any overpayment of  
26 DSH funds for the 2013/14 payment year asserted in the Claim.

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1 I declare under penalty of perjury that the foregoing is true and correct.  
 2 Executed on June 26, 2019.



Daniel R. Heckathorne